

TEMESCAL VALLEY WATER DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended
June 30, 2020 and 2019

Temescal Valley Water District
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June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Temescal Valley Water District
Corona, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Temescal Valley Water District (the "District"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Van Lant & Fankhanel, LLP

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Murrieta, CA 92563
909.856.6879

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Temescal Valley Water District, as of June 30, 2020 and 2019, and the changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



January 20, 2021

TEMESCAL VALLEY WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020

Our discussion and analysis of Temescal Valley Water District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which begin on page 12.

Financial Highlights

- The District's Net Position increased \$4,402,633 or 4.5 percent in the current year as a result of; \$1,143,717 from operations, \$598,690 from connection fees, \$ 1,595,000 from contributed capital and \$1,065,226 from non-operating revenue.
- Current assets and other restricted assets increased by \$1,808,067 mainly due to the net effect of an increase in current assets.
- Current year operating revenues decreased by \$101,162 due to lower connection fees. While operating expenses increased by \$1,262,935 due mainly to higher costs of repairs and water purchased.
- Capital asset contributions received from developers were \$1,595,000 in the current year and \$319,596 in the prior year.
- Total revenues were \$12.1 million and \$ 12.2 million and total expenses were \$ 10.4 million and \$9.1 million for the current year and prior year, respectively.
- See accompanying charts for revenue and expense details, as well as capital expenditures.

Using This Annual Report

This annual report consists of a series of financial statements. The statements of net position and statements of revenues, expenses, and changes in net position (on pages 12 through 15) provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position, report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TEMESCAL VALLEY WATER DISTRICT
Management's Discussion and Analysis
(Continued)
June 30, 2020

These financial statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non financial factors, such as changes in the District's property tax base and the condition of the District's water and sewer facilities, to assess the overall health of the District.

The District reports in the statements of net position and the statements of revenues expenses, and changes in net position two types of activities, water and sewer services. All District activities are reported in these statements.

The District as a Whole

The District's net position increased to \$102.3 million from \$97.9 million. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's activities.

Table 1
Net Position (in Millions)
June 30

	2020	2019	2018
Capital assets	\$73.5	\$ 70.3	\$ 69.9
Current and other restricted assets	\$32.9	31.1	26.8
Total assets	\$106.4	101.4	96.7
Deferred Outflows of Resources	.2	.2	.2
Current Liabilities	3.1	2.2	1.6
Noncurrent Liabilities	1.2	1.5	1.7
Total liabilities	4.3	3.7	3.3
Deferred Inflows of Resources	0	0	0
Net Position			
Net Investment in Capital Assets	72.4	68.8	68.2
Unrestricted	29.9	29.1	25.3
Total net position	\$ 102.3	\$ 97.9	\$ 93.6

The net position increased by \$4,402,633 in 2020, \$4,414,832 in 2019 and \$12,429,642 in 2018. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$858,385. This increase arose from higher operating income and less funds invested in capital assets.

TEMESCAL VALLEY WATER DISTRICT
Management's Discussion and Analysis
(Continued)
June 30, 2020

Table 2
Changes in Net Position (in millions)
June 30

	2020	2019	2018
Operating revenues	\$ 12.1	\$12.2	\$11.8
Operating expenses	10.4	9.1	8.8
Operating income (loss)	1.7	3.1	3.0
Non-operating revenues, net	1.1	1.0	.3
Capital contributions	1.6	.3	9.1
Change in net position	\$4.4	\$4.4	\$12.4

The District's operating revenues decreased over prior year by .8 percent. Operating expenses increased by 13.8 percent. The factors driving these results include:

- Operating revenues decreased by \$101,162. Operating expenses increased by \$1,626,935.
- The District had 5,662 active water services at June 30, 2020 as compared to 5,387 active services at June 30, 2019 and 5,076 active services at June 30, 2018. This represents a net increase of 5.1 percent.
- Capital asset contributions by developers were \$1,595,000 in 2020, \$319,596 in 2019, and \$9,080,543 in 2018 . This is a result of the completion and dedication of new water and sewer facilities within the new housing developments inside the District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$73.5 million invested in a broad range of capital assets including land, water reclamation facilities, reservoirs, water transportation facilities, water and sewer mains, and sewage collection, treatment, and disposal systems, and buildings and equipment (see Table 3 below).

TEMESCAL VALLEY WATER DISTRICT
Management's Discussion and Analysis
(Continued)
June 30, 2020

Table 3
Capital Assets at Year-End (in millions)
June 30

	2020	2019	2018
Land	\$.9	\$.9	\$.9
Water capacity rights	13.5	13.5	13.5
Construction in progress	3.8	.6	2.7
Capital assets (net of depreciation)	55.3	55.3	52.8
	\$ 73.5	\$ 70.3	\$ 69.9

Debt

At June 30, 2020, 2019, and 2018, the District had \$1,081,780, \$1,387,639 and \$1,668,213, respectively, in long-term debt.

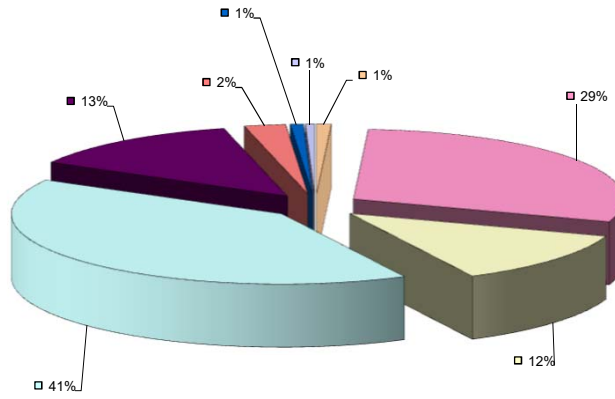
Factors Bearing on the District's Future

The District is currently experiencing very little growth in residential housing within its service area. In the 2019-2020 fiscal year, the customer base increased only by 5.1 percent. New and planned residential communities totaling approximately 1,215 residences are projected to be completed in the future. This new growth will increase the size of the District's customer base. These planned residential communities are in various stages of construction and planning. As water and sewer facilities are completed and accepted by the District, the facilities will become part of the District's capital assets and subject to operation by the District.

Contacting the District's Financial Management

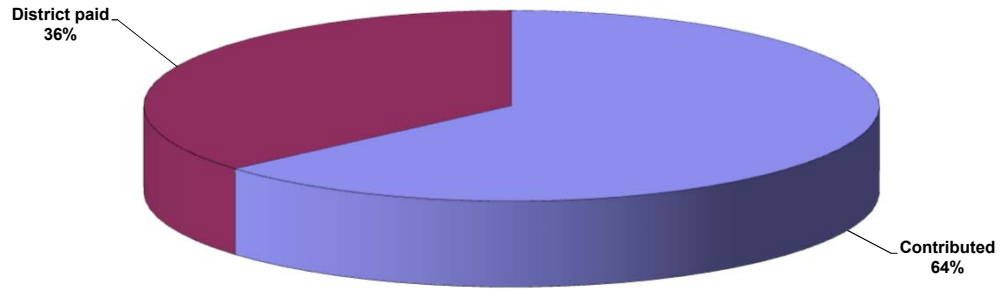
The financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Manager at: Temescal Valley Water District, 22646 Temescal Canyon Road, Temescal Canyon, California 92883.

**Temescal Valley Water District
Capital Assets
June 30, 2020**

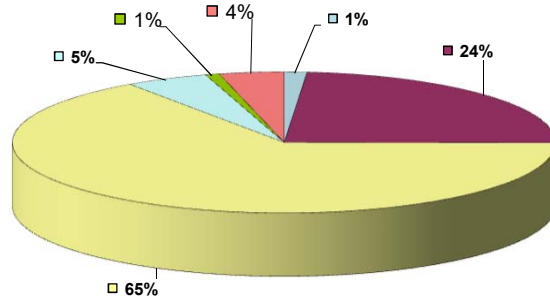


■ Land ■ Water reclamation facility ■ Reservoirs & water transportation facilities ■ Water, sewer & recycled mains ■ Water capacity rights ■ Equipment ■ Office building improvements ■ Construction in progress

**Temescal Valley Water District
Percentage of Capital Assets Contributed
June 30, 2020**

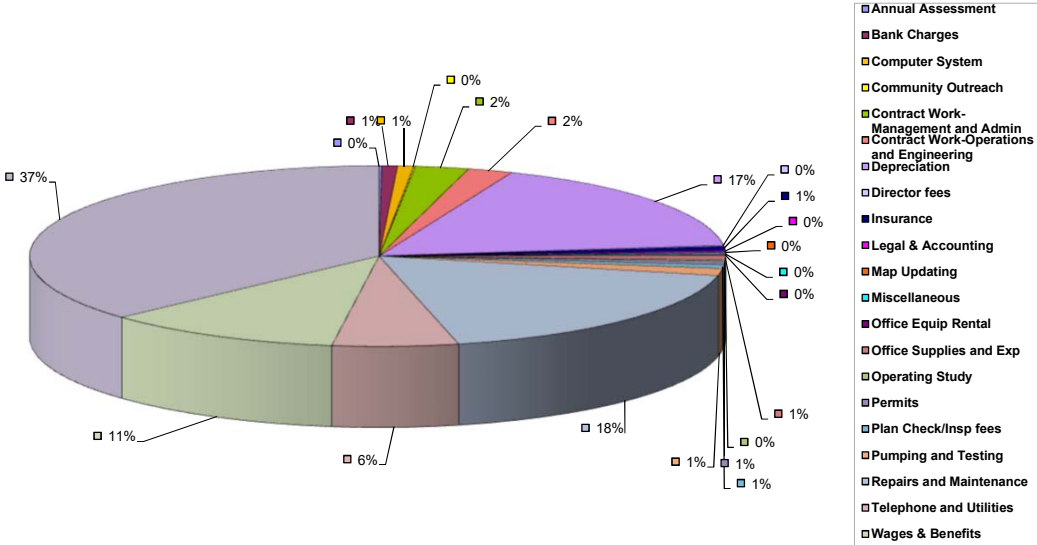


**Temescal Valley Water District
Operating Revenue
Year ended June 30, 2020**

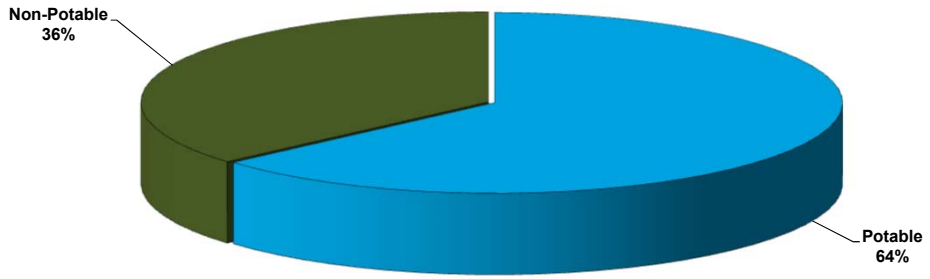


□ Standby charges	■ Sewer service fees
□ Water & Nonpotable sales and fees	□ Connection fees
■ Service Meter Income	■ Property Taxes / Int Inc/ Other

**Temescal Valley Water District
Operating Expenses
Year ended June 30, 2020**



**Temescal Valley Water District
Water Volume Sold
For F/Y 2019-2020**



BASIC FINANCIAL STATEMENTS

Temescal Valley Water District
Statement of Net Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 30,332,396	\$ 28,755,905
Accounts Receivable:		
Utility	1,090,027	982,159
Other	216,725	215,924
Accrued Interest Receivable	56,310	93,536
Prepaid Expenses	28,497	33,546
Inventory	35,069	56,420
Total Current Assets	31,759,024	30,137,490
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,214,836	1,028,303
Capital Assets Not Being Depreciated:		
Land	902,118	902,118
Water Capacity Rights	13,503,639	13,503,639
Construction in Progress	3,827,196	551,789
Capital Assets, Net of Accumulated Depreciation	55,288,310	55,325,328
Total Noncurrent Assets	74,736,099	71,311,177
Total Assets	106,495,123	101,448,667
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Items	163,609	166,032
LIABILITIES		
Current Liabilities:		
Accounts Payable	559,313	364,526
Payable to Other Governmental Agencies	634,490	566,735
Due to Agency Fund	468,257	313,397
Accrued Salaries and Refunds	65,819	44,339
Related Party Payable	37,809	170,900
Excess Sewer Capacity Deposits	98,613	98,613
Unearned Revenue	578,200	-
Other Deposits	647,966	616,293
Total Current Liabilities	3,090,467	2,174,803
Noncurrent Liabilities:		
Net Pension Liability	106,487	76,754
Loan Payable	1,081,780	1,387,639
Total Noncurrent Liabilities	1,188,267	1,464,393
Total Liabilities	4,278,734	3,639,196
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Items	1,862	-
NET POSITION		
Net Investment in Capital Assets	72,439,483	68,895,235
Unrestricted	29,938,653	29,080,268
Total Net Position	\$ 102,378,136	\$ 97,975,503

The accompanying notes are an integral part of this statement.

Temescal Valley Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Standby Charges	\$ 163,371	\$ 166,616
Sewer Service Fees	2,879,232	2,772,855
Water Service Fees	7,912,850	7,482,518
Connection Fees	598,690	1,180,479
Service Meter Income	100,400	129,428
Other	466,798	490,607
	<u>12,121,341</u>	<u>12,222,503</u>
OPERATING EXPENSES		
Annual Assessment Processing	11,370	11,376
Bank Charges	76,471	64,111
Computer System	76,885	110,684
Community Outreach	7,901	10,546
Contract Work - Management and Administrative	256,048	250,444
Contract Work - Operations and Engineering	215,995	176,770
Depreciation and Amortization	1,756,658	1,725,289
Director Fees	17,230	21,194
Insurance	77,234	72,718
Legal and Accounting	26,455	31,396
Map Updating	15,048	34,628
Miscellaneous	24,729	2,936
Office Equipment Rental	16,922	16,859
Office Supplies and Expenses	88,422	81,987
Operating Study	23,778	11,080
Permits	63,118	60,707
Plan Check/Inspection Fees and Studies	71,560	170,919
Pumping and Testing	130,941	103,866
Repairs, Maintenance, and Supplies	1,854,156	1,048,073
Telephone and Utilities	602,737	565,501
Wages, Employee Benefits, and Payroll Taxes	1,139,414	1,183,309
Water - Purchased	3,825,862	3,361,606
	<u>10,378,934</u>	<u>9,115,999</u>
Operating Income (Loss)	<u>1,742,407</u>	<u>3,106,504</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	162,326	99,055
Interest Income	749,792	783,832
Other	153,108	105,845
	<u>1,065,226</u>	<u>988,732</u>
Total Non-Operating Revenues (Expenses)	<u>1,065,226</u>	<u>988,732</u>
Capital Contributions	<u>1,595,000</u>	<u>319,596</u>
Change in Net Position	<u>4,402,633</u>	<u>4,414,832</u>
Net Position - Beginning of Year	<u>97,975,503</u>	<u>93,560,671</u>
Net Position - End of Year	<u>\$ 102,378,136</u>	<u>\$ 97,975,503</u>

The accompanying notes are an integral part of this statement.

Temescal Valley Water District
Statement of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 12,590,872	\$ 12,247,574
Payments to Employees	(1,083,916)	(1,160,136)
Payments to Suppliers	(7,327,011)	(5,699,781)
Other Revenue	<u>153,108</u>	<u>105,845</u>
Net Cash Provided (Used) By Operating Activities	<u>4,333,053</u>	<u>5,493,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	<u>162,326</u>	<u>99,055</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>162,326</u>	<u>99,055</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Loans	(305,859)	(280,574)
Purchases of Capital Assets	<u>(3,400,047)</u>	<u>(1,763,267)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(3,705,906)</u>	<u>(2,043,841)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Cash and Cash Equivalents	<u>787,018</u>	<u>720,609</u>
Net Cash (Used) Provided By Investing Activities	<u>787,018</u>	<u>720,609</u>
Net (Decrease) Increase in Cash and Cash Equivalents	1,576,491	4,269,325
Cash and Cash Equivalents - Beginning of Year	<u>28,755,905</u>	<u>24,486,580</u>
Cash and Cash Equivalents - End of Year	<u>\$ 30,332,396</u>	<u>\$ 28,755,905</u>

The accompanying notes are an integral part of this statement.

Temescal Valley Water District
Statement of Cash Flows - Continued
For the Years Ended June 30, 2020 and 2019

	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,742,407	\$ 3,106,504
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,756,658	1,725,289
Other Revenue	153,108	105,845
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable:		
Utility	(107,868)	(7,546)
Other	(801)	32,617
(Increase) Decrease in Prepaids	5,049	938
(Increase) Decrease in Inventory	21,351	30,061
(Increase) Decrease in Deferred Outflows Related to Pensions	2,423	31,122
Increase (Decrease) in Accounts Payable	194,787	167,058
Increase (Decrease) in Payable to Other Governmental Agencies	67,755	207,496
Increase (Decrease) in Accrued Salaries and Refunds	21,480	(1,160)
Increase (Decrease) in Net Pension Liability	29,733	(3,027)
Increase (Decrease) in Deferred Inflows Related to Pensions	1,862	(3,762)
Increase (Decrease) in Unearned Revenue	578,200	-
Increase (Decrease) in Related Party Payable	(133,091)	102,067
	\$ 4,333,053	\$ 5,493,502
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed Capital Assets	\$ 1,595,000	\$ 319,596

The accompanying notes are an integral part of this statement.

Temescal Valley Water District
Statements of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and Investments with Fiscal Agent	\$ 20,431,714	\$ 19,160,855
Due from Water District	468,257	313,397
Total Assets	\$ 20,899,971	\$ 19,474,252
LIABILITIES		
Due to Bondholders	\$ 20,899,971	\$ 19,474,252
Total Liabilities	\$ 20,899,971	\$ 19,474,252

The accompanying notes are an integral part of this statement.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The reporting entity includes the accounts of the Temescal Valley Water District (District) and the related improvement districts located within the service area of the District. The District is a special district created for the purpose of providing water, water treatment, and sewage disposal services to customers within its service area. The District has a contract to purchase a majority of its water from the Western Municipal Water District. As of July 1, 2015, the District, formerly named the Lee Lake Water District, officially changed its name to Temescal Valley Water District.

In a previous fiscal year, the District's Board of Directors ratified the formation of the Lee Lake Water District Financing Corporation, now titled the Temescal Valley Water District Financing Corporation, to facilitate the issuance of certificates of participation. The certificates may be issued to assist in the financing of costs of design and engineering of certain sewer system and water system improvements. Although the Financing Corporation qualifies as a component unit for inclusion within these financial statements, the certificates have not been issued and there has been no other activity to record in these financial statements to date.

The officers of the District and the date of expiration of terms of office are as follows:

Charles Colladay	President	November 2023
Paul Rodriguez	Vice President/Secretary	November 2021
Fred Myers	Board Member - Engineering Comm.	November 2021
John Butler	Board Member - Engineering Comm.	November 2023
David Harich	Board Member - Finance Comm.	November 2021

On April 23, 2013, the District and CFD No. 1 created the Lee Lake Public Financing Authority (Authority), through a joint exercise of powers agreement under Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"). Article 4 of the Act authorizes and empowers the Authority to issue bonds and to purchase bonds issued by, or to make loans to, the District or CFD No. 1 for financing public capital improvements or projects as determined by the District or CFD No. 1. The Authority's Board consists of the five members of the District's Board of Directors. The General Manager of the District is designated as the Executive Director of the Authority. On July 18, 2013, the Authority issued Series A and B Revenue Bonds (Bonds) to refund outstanding special tax bonds previously issued by CFD No. 1, 2 and 3, as described in Note 8 of these financial statements. The Bonds do not represent obligations of the District, and the related balances and activity are reported in an agency fund in these financial statements.

Basis of Accounting and Measurement Focus

As a governmental agency, the District is subject to accounting and reporting standards established by the Governmental Accounting Standards Board (GASB). As the majority of revenues consist of water sales and related services, the District as a whole, for financial statements purposes, is classified as a proprietary fund. Separate financial statements are provided for the proprietary fund and the agency

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

fund. The District uses the accrual basis of accounting. The financial activities of the District are accounted for using the economic resources measurement focus. Under this method, all assets and liabilities associated with its operations are included on the statement of net position; revenues are recorded when earned and become measurable; and expenses are recorded when liabilities are incurred.

The District reports its water and sewer operations as a single enterprise fund. Additionally, the District reports an agency fund to account for money received by the District as an agent for individuals, other governments and other entities. Specifically, the District accounts for activities of the Public Financing Authority in the agency fund. The agency fund is reported using the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The District invests funds with the State of California Pooled Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, the funds are classified as a cash equivalent. Fair value in external investments pools such as LAIF are determined based on the District's pro rate share of the fair value of the Pool's underlying portfolio. Some of the cash and cash equivalents have been classified as restricted in accordance with applicable standards, and are not included in the statement of cash flows.

Inventory

Inventory consists of supplies and excess Equivalent Dwelling Units (EDUs) and is recorded at the lower of cost (first-in, first-out) or market.

Capital Assets

The District records the acquisition of capital assets and additions, improvements, and other capital outlays that significantly extend the life of an asset. Capital assets are defined by the District as assets with an initial, individual cost of more than \$100,000 and an estimated useful life in excess of one year. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. Capital assets purchased by the District are carried at cost. Assets are depreciated using the straight-line method of depreciation over their estimated useful lives ranging from five to fifty years.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees in connection with providing water and sewer services to customers.

Operating expenses include the costs of providing water and sewer services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March	
Levy Date	July 1 to June 30	
Due Date	November 1	1st Installment
	March 1	2nd Installment
Collection Date	December 10	1st Installment
	April 10	2nd Installment

The District assesses its property taxes through the County tax rolls. Property taxes are recognized as revenue in the period for which the taxes are levied.

Reclassification

Certain reclassifications have been made to prior fiscal year amounts to conform with the current fiscal year financial statement presentations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Net Position

The difference between assets and liabilities is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net investment in capital assets, consist of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position reflects the carrying value of assets less related liabilities that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position represents the remaining fund equity balance.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position.

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 and June 30, 2019 are classified in the accompanying financial statements as follows:

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

2) CASH AND INVESTMENTS - Continued

	2020	2019
Statement of Net Position:		
Cash and Cash Equivalents	\$ 30,332,396	\$ 28,755,905
Restricted Cash and Cash Equivalents	1,214,836	1,028,303
Total Cash and Investments - Statement of Net Position	\$ 31,547,232	\$ 29,784,208
Statement of Fiduciary Assets and Liabilities:		
Cash and Investments with Fiscal Agent	\$ 20,431,714	\$ 19,160,855

Cash and investments as of June 30, 2020 and June 30, 2019 consist of the following:

	2020	2019
Cash on Hand	\$ 400	\$ 400
Deposits with Financial Institutions	5,595,659	4,691,915
Investments	25,951,173	25,091,893
Total Cash and Investments - Statement of Net Position	\$ 31,547,232	\$ 29,784,208
Cash and Investments with Fiscal Agent		
Deposits with Financial Institutions	\$ -	\$ 44,043
Money Market Mutual Funds	20,431,714	19,116,812
Total Cash and Investments with Fiscal Agent	\$ 20,431,714	\$ 19,160,855

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized by the District's investment policy, which is in accordance with the California Government Code. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

Investment Type	Maximum Maturity	Maximum % of portfolio	Maximum in one issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	75%	None
U.S. Government Agency Issues	5 years	60%	\$6 million
Banker's Acceptances	180 days	20%	\$2 million
Commercial Paper	270 days	20%	10%
Negotiable Certificates of Deposits	5 years	30%	\$7.5 million
Medium Term Notes/Corporate Bonds	5 years	30%	\$1 million

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

2) CASH AND INVESTMENTS - Continued

Investment Type	Maximum Maturity	Maximum % of portfolio	Maximum in one issuer
Mutual Funds	None	20%	\$1 million
Money Market Mutual Funds	None	20%	\$1 million
County Pooled Investment Funds	None	None	None
Local Agency Investment Fund	None	100%	100%
Community Facility District	None	40%	None
Assessment District	None	40%	None
Asset-backed securities (ABS)	5 years	20%	10%
Supranationals	3 years	5%	5%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF	\$ 15,053,782	\$ 15,053,782	\$ -	\$ -	\$ -
U.S Treasury Obligations	2,555,237	266,705	1,252,110	1,036,422	-
U.S. Agency Securities	5,158,361	883,083	1,653,651	2,621,627	-
Money Market Mutual Funds	39,992	39,992	-	-	-
Medium-Term Notes	2,183,124	1,050,837	870,910	261,377	-
Asset Backed Securities	506,729	-	125,038	381,691	-
Negotiable Certificates of Deposit	250,000	250,000	-	-	-
Supranationals	203,948	203,948	-	-	-
Held by Fiscal Agent:					
Money Market Mutual Funds	20,431,714	20,431,714	-	-	-
Total	\$ 46,382,887	\$ 38,180,061	\$ 3,901,709	\$ 4,301,117	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

2) CASH AND INVESTMENTS – Continued

Investment Type	Total	Minimum Legal Rating	Rating as of Year end			
			AAA	AA	A	Not Rated
LAIF	\$ 15,053,782	N/A	\$ -	\$ -	\$ -	\$ 15,053,782
U.S Treasury Obligations	2,555,237	N/A	-	2,555,237	-	-
U.S. Agency Securities	5,158,361	N/A	-	5,158,361	-	-
Money Market Mutual Funds	39,992	A	39,992	-	-	-
Medium-Term Notes	2,183,124	A-	-	628,454	1,554,670	-
Asset Backed Securities	506,729	AA	506,729	-	-	-
Negotiable Certificates of Deposit	250,000	N/A	-	-	-	250,000
Supranationals	203,948	AA	203,948	-	-	-
Held by Fiscal Agent:						
Money Market Mutual Funds	20,431,714	AAA	20,431,714	-	-	-
Total	\$ 46,382,887		\$ 21,182,383	\$ 8,342,052	\$ 1,554,670	\$ 15,303,782

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (other than U.S. Treasury securities, mutual funds and external investment pools).

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020, and June 30, 2019, the District had deposits with financial institutions in excess of federal depository insurance limits of \$5,345,659 and \$4,441,915, respectively, which were collateralized by securities held by the pledging Financial Institution's Agent but not in the District's name.

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

2) CASH AND INVESTMENTS – Continued

The District has the following recurring fair value measurements as of June 30, 2020:

- U.S. Treasury Obligations of \$2,555,237 are valued using quoted marked prices (Level 1 inputs)
- U.S. Agency Securities of \$5,158,361 are valued using institutional bond quotes (Level 2 inputs)
- Medium-Term Notes of \$2,183,124 are valued using institutional bond quotes (Level 2 inputs)
- Asset backed securities of \$506,729 are valued using institutional bond quotes (Level 2 inputs)
- Certificates of Deposit of \$250,000 are valued using institutional bond quotes (Level 2 inputs)
- Supranationals of \$203,948 are valued using institutional bond quotes (Level 2 inputs)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Information regarding LAIF's and the District's exposure to risk (credit, market, or legal) is not currently available.

3) CAPITAL ASSETS

Capital assets are presented as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 902,118	\$ -	\$ -	\$ 902,118
Water Capacity Rights	13,503,639	-	-	13,503,639
Construction in Progress	551,789	3,275,407	-	3,827,196
Total Capital Assets, Not Being Depreciated	14,957,546	3,275,407	-	18,232,953
Capital Assets Being Depreciated:				
Water Reclamation Facility	27,413,383	-	-	27,413,383
Reservoirs	12,265,486	1,005,000	-	13,270,486
Water and Sewer Mains	41,608,601	590,000	-	42,198,601
Office Building Improvements	272,271	-	-	272,271
Sewage Systems (Improvement Districts)	2,779,412	-	-	2,779,412
Equipment - Water and Sewer	2,529,302	124,640	-	2,653,942
Administration Building	529,200	-	-	529,200
Well Systems	340,052	-	-	340,052
Total Capital Assets Being Depreciated	87,737,707	1,719,640	-	89,457,347

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

3) CAPITAL ASSETS – Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation:				
Water Reclamation Facility	(14,233,218)	(404,410)	-	(14,637,628)
Reservoirs	(3,843,808)	(304,564)	-	(4,148,372)
Water and Sewer Mains	(9,588,399)	(848,387)	-	(10,436,786)
Office Building Improvements	(140,856)	(24,539)	-	(165,395)
Sewage Systems (Improvement Districts)	(2,453,714)	(87,273)	-	(2,540,987)
Equipment - Water and Sewer	(1,807,677)	(55,263)	-	(1,862,940)
Administration Building	(298,323)	(17,774)	-	(316,097)
Well Systems	(46,384)	(14,448)	-	(60,832)
Total Accumulated Depreciation	<u>(32,412,379)</u>	<u>(1,756,658)</u>	-	<u>(34,169,037)</u>
Capital Assets Being Depreciated, Net	<u>55,325,328</u>	<u>(37,018)</u>	-	<u>55,288,310</u>
Total Capital Assets, Net of Depreciation	<u>\$ 70,282,874</u>	<u>\$ 3,238,389</u>	<u>\$ -</u>	<u>\$ 73,521,263</u>

4) EXCESS SEWER CAPACITY DEPOSITS

In connection with the District’s construction of its water reclamation plant, the District can offer “excess” sewer capacity to individuals outside Community Facilities Districts (CFD) 87-5 and 89-1. According to the agreement, the District shall pay to the CFDs, without interest, the reimbursement amount for the oversized sewer capacity utilized by the connection of those parties outside the CFDs. As of June 30, 2020, and 2019, the District held deposits of \$98,613 and \$98,613, respectively, from individuals interested in hooking up to the District’s plant. Payment to the CFDs shall be due upon receipt of the full connection fee or commencement of service, whichever is earlier.

5) DESIGNATIONS OF DISTRICT UNRESTRICTED NET POSITION

For the amounts reported as unrestricted net position in these financial statements, the District’s Board of Directors has designated \$14,637,328 to be set aside for the future major refurbishing or replacement of the wastewater utility plant as of June 30, 2020.

6) DEFINED BENEFIT PENSION PLAN

General Information about the Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS.) The plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

6) DEFINED BENEFIT PENSION PLAN – Continued

separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors 2 rate plans (both are miscellaneous.) Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2017 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS’ website under Forms and Publications. The Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	8.563% + \$7,429	6.985% + \$1,636

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability paid in fiscal year 2020 was \$9,065.

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District pays the required employee contribution on behalf of the employees.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

6) DEFINED BENEFIT PENSION PLAN – Continued

The District’s contributions to the Plan for the year ended June 30, 2020 were \$73,940.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported \$106,487 net pension liability for its proportionate share of the net pension liability. The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.00080%
Proportion - June 30, 2019	0.00104%
Change - Increase (Decrease)	0.00024%

For the year ended June 30, 2020, the District recognized pension expense of \$107,958. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 73,940	\$ -
Differences between actual and expected experience	6,823	-
Changes in assumptions	3,278	-
Change in employer's proportion	46,848	-
Differences between the employer's contributions and the employer's proportionate share of contributions	32,720	-
Net differences between projected and actual earnings on plan investments	-	1,862
Total	\$ 163,609	\$ 1,862

\$73,940 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

6) DEFINED BENEFIT PENSION PLAN – Continued

Year Ending June 30,		
2021	\$	53,971
2022		23,511
2023		9,949
2024		376
2025		-
Thereafter		-

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS' Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

6) DEFINED BENEFIT PENSION PLAN – Continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	2%	0.00%	-0.92%

(1) An expected inflation of 2.0% used for this period.

(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 256,944
Current Discount Rate	7.15%
Net Pension Liability	\$ 106,487
1% Increase	8.15%
Net Pension Liability	\$ (17,705)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

7) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2020 and June 30, 2019, there were no such liabilities to be reported. There have been no settlements in the past three fiscal years that have exceeded insurance coverage.

The District maintains a commercial general liability, wrongful acts, employment practices, and employment benefit liability policy with coverage in the amount of \$1,000,000 for each occurrence and aggregate coverage of \$3,000,000, fire damage coverage for any one fire of \$1,000,000, hired and non-owned auto liability coverage of \$1,000,000 per accident and excess liability coverage per occurrence/aggregate limit of insurance of \$5,000,000, and property insurance in the amount of \$22,468,981. The District also has crime coverage in the amount of \$250,000 for employee dishonesty and forgery or alteration, \$250,000 for theft, disappearance or destruction, and \$100,000 for computer fraud. As mandated by the State, the District has covered all employees with a workers' compensation policy through the State Compensation Insurance Fund.

8) DEBT WITHOUT DISTRICT COMMITMENT

The District has issued \$79,145,000 in Community Facilities District Special Tax Bonds to finance the acquisition and construction of public improvements within the Community Facilities Districts (CFD) No. 1, 2, and 3. In July of 2014, CFD Bonds 1, 2, and 3 were refinanced and combined into Series A and Series B bonds of \$51,695,000 and \$18,045,000. The refinanced bonds have the same maturity dates with a lower interest rate. In December 2018, the District issued \$22,260,000 CFD No. 4 Bonds. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982, and are special obligations of the District payable solely from revenues derived from special taxes levied on taxable land within the Community Facilities Districts. The Bonds are not general obligations of the District. Neither the faith and credit of the District, nor of either County, nor the State or any related political subdivision, is pledged to the payment of the Bonds. Therefore, these Bonds are not reflected as debt in the District's financial statements. As of June 30, 2020, the remaining balance on the bonds was \$76,135,000.

9) COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District has active construction projects as of June 30, 2020. At year-end the District's commitments are \$11,265,335.

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

10) RELATED PARTY TRANSACTIONS

The District contracts with Dudek & Associates for management and engineering services. The services of the general manager for the District are hired under this contract. The General Manager has an ownership interest in Dudek & Associates. The District owed Dudek & Associates \$37,809 and \$170,900 at June 30, 2020 and 2019, respectively, for services received. In addition, the District incurred the following costs for services provided by Dudek & Associates:

	Year Ended June 30,	
	2020	2019
General Management	\$ 256,048	\$ 250,444
Engineering and Special Projects	215,995	338,315
Total	\$ 472,043	\$ 588,759

11) LOAN PAYABLE

In the 2014-15 Fiscal year, the District entered into a loan agreement with the Elsinore Valley Municipal Water District (EVMWD) to purchase a pipeline owned by EVMWD for \$2,644,000. Under the terms of the agreement, in exchange for the pipeline, EVMWD received the right to use the District's excess capacity water rights from Western Municipal Water District (WMWD). The loan balance is reduced based on EVMWD's purchases of the District's excess water capacity. EVMWD's purchases from year to year are expected to fluctuate and, therefore, the final maturity of the loan is unknown because there is not an established repayment schedule. EVMWD purchased \$305,859 and \$280,574, in fiscal years 2019-20 and 2018-19, respectively, of the District's excess capacity rights from WMWD. The remaining loan balance as of June 30, 2020 and June 30, 2019 was \$1,081,780 and \$1,387,639, respectively.

The loan is a direct borrowing with no set repayment period or events of default.

12) LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Net Pension Liability	\$ 76,754	\$ 29,733	\$ -	\$ 106,487	\$ -
Loan Payable from Direct Borrowings	1,387,639	-	305,859	1,081,780	-
Total Long-term Liabilities	\$ 1,464,393	\$ 29,733	\$ 305,859	\$ 1,188,267	\$ -

Temescal Valley Water District
Notes to Financial Statements
June 30, 2020 and 2019

13) JOINT VENTURE

The District is a member of the California Finance Authority for Delinquent Special Taxes and Assessments (Authority), along with the Cities of Norco and Riverside. The Authority was established to implement and finance a program for the purchase from the member agencies of delinquent special taxes, assessments and property-related fees and charges that are collected on the secured property tax roll. The District has determined to assign to the Authority certain delinquent special taxes (levied under the Mello-Roos Community Facilities Act of 1982) in consideration of the agreement by the Authority to pay the purchase price to the District for such liens and to assume all responsibility and pay all costs in connection with the enforcement and collection of such liens. Separate financial statements for the Authority are currently not available.

14) DUE TO AGENCY FUND

The District, as a pass-through agency, held property tax assessments for the Community Facilities Districts of \$468,257 and \$313,397 as of June 30, 2020 and June 30, 2019, respectively. This amount represents the amounts received by the District prior to June 30, 2020 and June 30, 2019, for the benefit of the Community Facilities District (Agency Fund).

15) IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

GASB has issued the following Statements, which may impact the District's financial reporting requirements in the future:

GASB 84 - Fiduciary Activities: This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 87 – Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 90 – Majority Equity Interests: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Temescal Valley Water District
Required Supplementary Information
June 30, 2020 and 2019

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years*

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2019	0.00104%	\$ 106,487	\$ 868,541	12.26%	90.48%
2018	0.00080%	76,754	731,228	10.50%	91.33%
2017	0.00080%	79,781	650,346	12.27%	90.49%
2016	0.00059%	50,718	636,890	7.96%	91.79%
2015	0.00015%	10,501	630,835	1.66%	97.84%
2014	0.00048%	30,099	614,139	4.90%	91.51%

Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%.

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.

Temescal Valley Water District
Required Supplementary Information
June 30, 2020 and 2019

Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 73,940	\$ (73,940)	\$ -	\$ 781,412	9.46%
2019	63,926	(63,926)	-	868,541	7.36%
2018	54,675	(54,675)	-	731,228	7.48%
2017	53,460	(53,460)	-	650,346	8.22%
2016	49,928	(49,928)	-	636,890	7.84%
2015	48,665	(48,665)	-	630,835	7.71%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016, 6/30/2017, and 6/30/2018

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.